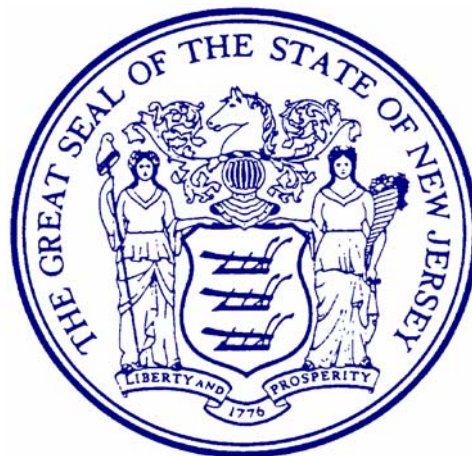


**Borgata Hotel Casino & Spa**  
**QUARTERLY REPORT**  
**FOR THE QUARTER ENDED MARCH 31, 2006**

**SUBMITTED TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL**

# Borgata Hotel Casino & Spa

## BALANCE SHEETS

AS OF MARCH 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$30,990	\$29,590
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$11,407; 2005, \$7,183).....	2	55,084	42,667
4	Inventories .....		3,017	2,802
5	Other Current Assets.....		5,547	4,539
6	Total Current Assets.....		94,638	79,598
7	Investments, Advances, and Receivables.....		8,041	2,699
8	Property and Equipment - Gross.....		1,213,514	1,050,761
9	Less: Accumulated Depreciation and Amortization.....		(149,455)	(92,590)
10	Property and Equipment - Net.....		1,064,059	958,171
11	Other Assets.....		11,403	11,576
12	Total Assets.....		\$1,178,141	\$1,052,044
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$33,071	\$7,316
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....	6	0	2,000
17	Income Taxes Payable and Accrued.....		10,740	5,274
18	Other Accrued Expenses.....	3	49,847	46,984
19	Other Current Liabilities.....	4	12,511	11,188
20	Total Current Liabilities.....		106,169	72,762
	Long-Term Debt:			
21	Due to Affiliates.....		0	0
22	External.....	6	376,700	384,200
23	Deferred Credits .....		5,246	1,716
24	Other Liabilities.....		7,805	7,253
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		495,920	465,931
27	Stockholders', Partners', or Proprietor's Equity.....		682,221	586,113
28	Total Liabilities and Equity.....		\$1,178,141	\$1,052,044

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# Borgata Hotel Casino & Spa

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$174,256	\$162,054
2	Rooms.....		21,231	20,233
3	Food and Beverage.....		27,880	28,061
4	Other.....		6,990	5,217
5	Total Revenue.....		230,357	215,565
6	Less: Promotional Allowances.....		42,789	43,431
7	Net Revenue.....		187,568	172,134
	Costs and Expenses:			
8	Cost of Goods and Services.....		95,408	90,616
9	Selling, General, and Administrative.....	5,8	24,662	22,438
10	Provision for Doubtful Accounts.....	2	1,636	193
11	Total Costs and Expenses.....		121,706	113,247
12	Gross Operating Profit.....		65,862	58,887
13	Depreciation and Amortization.....		14,498	13,373
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		51,364	45,514
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		0	0
18	Interest Expense - External.....	6	(4,082)	(6,408)
19	CRDA Related Income (Expense) - Net.....		(730)	(2,049)
20	Nonoperating Income (Expense) - Net.....		(1,475)	468
21	Total Other Income (Expenses).....		(6,287)	(7,989)
22	Income (Loss) Before Taxes and Extraordinary Items.....		45,077	37,525
23	Provision (Credit) for Income Taxes.....	7	367	(409)
24	Income (Loss) Before Extraordinary Items.....		44,710	37,934
25	Extraordinary Items (Net of Income Taxes - 2006, \$0; 2005, \$0).....			
26	Net Income (Loss).....		\$44,710	\$37,934

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# Borgata Hotel Casino & Spa

## STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005  
AND THE THREE MONTHS ENDED MARCH 31, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Accumulated Other Comp. Income(Loss) (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2004.....		\$477,507	\$88,088	(\$5,854)	\$559,741
2	Net Income (Loss) - 2005.....		0	171,188	0	171,188
3	Capital Contributions.....		0	0	0	0
4	Capital Withdrawals.....		0	0	0	0
5	Partnership Distributions.....	6	0	(58,676)	0	(58,676)
6	Prior Period Adjustments.....		0	0	0	0
7	Other Comprehensive Inc.,net		0	0	5,854	5,854
8						0
9						0
10	Balance, December 31, 2005.....		477,507	200,600	0	678,107
11	Net Income (Loss) - 2006.....		0	44,710	0	44,710
12	Capital Contributions.....		0	0	0	0
13	Capital Withdrawals.....		0	0	0	0
14	Partnership Distributions.....	6	0	(40,596)	0	(40,596)
15	Prior Period Adjustments.....		0	0	0	0
16						0
17						0
18						0
19	Balance, March 31, 2006.....		\$477,507	\$204,714	\$0	\$682,221

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# Borgata Hotel Casino & Spa

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		\$53,068	\$55,927
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....		(63,663)	(11,060)
5	Proceeds from Disposition of Property and Equipment.....		0	0
6	CRDA Obligations .....		(1,459)	0
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10			0	0
11			0	0
12	Net Cash Provided (Used) By Investing Activities.....		(65,122)	(11,060)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		0	0
14	Payments to Settle Short-Term Debt.....		0	0
15	Proceeds from Long-Term Debt .....		190,500	106,400
16	Costs of Issuing Debt.....		(1,208)	0
17	Payments to Settle Long-Term Debt.....		(155,500)	(145,800)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21	Partnership Distributions.....		(40,596)	(13,444)
22			0	0
23	Net Cash Provided (Used) By Financing Activities.....		(6,804)	(52,844)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(18,858)	(7,977)
25	Cash and Cash Equivalents at Beginning of Period.....		49,848	37,567
26	Cash and Cash Equivalents at End of Period.....		\$30,990	\$29,590
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$2,497	\$9,639
28	Income Taxes.....		\$951	(\$8,346)

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# Borgata Hotel Casino & Spa

## STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		\$44,710	\$37,934
30	Depreciation and Amortization of Property and Equipment.....		14,440	13,353
31	Amortization of Other Assets.....		58	20
32	Amortization of Debt Discount or Premium.....		0	0
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	0
35	(Gain) Loss on Disposition of Property and Equipment.....		292	(3)
36	(Gain) Loss on CRDA-Related Obligations.....		730	2,049
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		(3,391)	4,581
39	(Increase) Decrease in Inventories .....		90	184
40	(Increase) Decrease in Other Current Assets.....		160	760
41	(Increase) Decrease in Other Assets.....		42	266
42	Increase (Decrease) in Accounts Payable.....		(600)	(187)
43	Increase (Decrease) in Other Current Liabilities .....		(4,642)	(4,281)
44	Increase (Decrease) in Other Liabilities .....		1,179	1,677
45	.....		0	(426)
46	.....		0	
47	Net Cash Provided (Used) By Operating Activities.....		\$53,068	\$55,927

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$63,663)	(\$11,060)
49	Less: Capital Lease Obligations Incurred.....			
50	Cash Outflows for Property and Equipment.....		(\$63,663)	(\$11,060)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# Borgata Hotel Casino & Spa

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE THREE MONTHS ENDED MARCH 31, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	102,860	\$13,557		
2	Food	479,759	9,897	151,058	1,511
3	Beverage	1,458,666	4,741		
4	Travel			6,501	1,625
5	Bus Program Cash				
6	Other Cash Complimentaries	509,481	12,737		
7	Entertainment	19,502	780	1,316	132
8	Retail & Non-Cash Gifts			13,142	3,286
9	Parking				
10	Other	43,067	1,077	1,308,628	3,532
11	Total	2,613,335	\$42,789	1,480,645	\$10,086

\* Promotional Allowances - Other includes \$361 of Comp and Slot dollars earned but not redeemed.

\* Promotional Expenses - Other includes \$1,178 of comp taxes & \$2,354 of promotional jackpot program

FOR THE THREE MONTHS ENDED MARCH 31, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	102,860	\$13,557		
2	Food	479,759	9,897	151,058	1,511
3	Beverage	1,458,666	4,741		
4	Travel			6,501	1,625
5	Bus Program Cash				
6	Other Cash Complimentaries	509,481	12,737		
7	Entertainment	19,502	780	1,316	132
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\* Promotional Allowances - Other includes \$361 of Comp and Slot dollars earned but not redeemed.

\* Promotional Expenses - Other includes \$1,178 of comp taxes & \$2,354 of promotional jackpot program

# **Borgata Hotel Casino & Spa STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE**

FOR THE QUARTER ENDED MARCH 31, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

5/15/2006

Date



Hugh Turner

Vice President of Finance

Title

007833-11

License Number

On Behalf of:

Borgata Hotel Casino & Spa

Casino Licensee



# Marina District Development Company, LLC and Subsidiary



(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

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## **Note 1. Summary of Significant Accounting Policies**

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company", "We", or "Us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey. We opened Borgata on July 3, 2003 with approximately 2,000 hotel rooms, a 125,000 square foot casino, and other amenities.

We are currently in the process of two major expansions at Borgata. The first expansion ("Public Space Expansion") is a project with an estimated cost of \$200,000,000 and the second expansion ("Rooms Expansion") is a project with an estimated cost of \$325,000,000. The Public Space Expansion consists of substantial additions of both gaming and non-gaming amenities to be built on a portion of the existing surface parking lot. The centerpiece of the Rooms Expansion is a new hotel tower, The Water Club at Borgata, containing approximately 800 rooms and suites, to be built on a portion of the existing surface parking lot, near the existing porte cochere. In addition to the hotel, which will have an arrival separate from our existing hotel tower, the Rooms Expansion will include a new spa, additional meeting room space, and a new parking structure. Access to our existing facilities and the Public Space Expansion amenities is intended to be seamless and convenient. The Public Space Expansion construction commenced in December 2004 with expected completion to occur in the second quarter of 2006. The Rooms Expansion construction began January 2006 and is scheduled for completion by the end of the fourth quarter of 2007. Boyd Gaming Corporation and MGM MIRAGE have approved both projects, which will be built on land leased from MGM MIRAGE (See Note 5). BAC and MAC do not expect to make further capital contributions to us for the expansion projects as we expect to finance the projects from our cash flow and from our recently amended bank credit facility (see Note 6).

Pursuant to the Joint Venture Agreement (the "JV Agreement"), BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, and construction as well as the day to day operations. We do not record a management fee to BAC as our management team directly performs these services or negotiates contracts to provide for

these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying condensed consolidated financial statements.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of our operations and cash flows for the three months ended March 31, 2006 and 2005. We suggest reading this report in conjunction with our audited consolidated financial statements for the year ended December 31, 2005. Our operating results and cash flows for the three months ended March 31, 2006 and 2005 are not necessarily indicative of the results that will be achieved for the full year or future periods.

#### *Capitalized Interest*

Interest costs associated with our expansion projects are capitalized. Interest costs, which include commitment fees and the amortized portion of deferred loan origination fees, are capitalized on amounts expended for the respective projects using our weighted average cost of borrowing. Capitalization of interest will cease when the respective project, or discernible portions of the projects, are substantially complete. We amortize capitalized interest over the estimated useful life of the related asset. Capitalized interest for the three months ended March 31, 2006 and 2005 was \$1,550,000 and \$93,000, respectively.

#### *Income Taxes*

Our Parent and we are treated as a partnership for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act; therefore, we are required to record New Jersey state income taxes. In 2004, we were granted permission by New Jersey, pursuant to a ruling request, to file a consolidated New Jersey corporation business tax return with MAC and BAC. In accordance with our tax sharing agreement, we have agreed with MAC and BAC that our tax liability will be based upon our stand-alone separate activity, as reflected in our condensed consolidated financial statements.

Pursuant to an amendment to the Casino Control Act, effective July 1, 2003, we are also subject to a 7.5% Adjusted Net Profits Tax which is imposed on a casino's adjusted net income as defined in the Casino Control Commission regulations. This tax of \$3,805,000 per year is based on our adjusted net income for our first twelve months of operations ended on June 30, 2004 and is imposed for each of the three fiscal years ending June 30, 2004 through June 30, 2006. We are entitled to a 50% credit against our Adjusted Net Profits Tax if we make qualifying capital expenditures, as defined by statute. We recognize this credit in arriving at our state tax benefit (provision) reported on the accompanying condensed consolidated statement of operations.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our accompanying condensed consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, the estimate for available tax credits, the estimated liabilities for our self-insured medical plan, slot club programs, contingencies and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

#### *Preopening Expenses*

We expense certain costs of start-up activities as incurred.

### *Recently Issued Accounting Standards*

In October 2005, the FASB issued FASB Staff Position (“FSP”) No. 13-1, *Accounting for Rental Costs Incurred during a Construction Period*. This FSP requires rental costs associated with ground operating leases that are incurred during a construction period be recognized as rental expense. This FSP is effective for fiscal periods beginning after December 15, 2005. The 2006 adoption of this FSP did not have a material impact on our condensed consolidated financial statements.

### **Note 2. Receivables and Patrons’ Checks**

Receivables and patrons’ checks consist of the following:

	March 31,	
	2006	2005
Casino receivables (net of an allowance for doubtful accounts – 2006 \$11,222,000 and 2005 \$6,991,000)	\$ 23,872,000	\$ 15,121,000
NJ tax refund receivable (Note 7)	22,271,000	18,877,000
Other (net of an allowance for doubtful accounts – 2006 \$185,000 and 2005 \$192,000)	8,885,000	8,321,000
Due from related parties (Note 5)	56,000	348,000
<b>Receivables and patrons’ checks, net</b>	<b>\$ 55,084,000</b>	<b>\$ 42,667,000</b>

### **Note 3. Other Accrued Expenses**

Other accrued expenses consist of the following:

	March 31,	
	2006	2005
Payroll and related	\$ 18,580,000	\$ 21,362,000
Other (Note 8)	31,267,000	25,622,000
<b>Other accrued expenses</b>	<b>\$ 49,847,000</b>	<b>\$ 46,984,000</b>

### **Note 4. Other Current Liabilities**

Other current liabilities consist of the following:

	March 31,	
	2006	2005
Due to related parties (Note 5)	\$ 481,000	\$ 883,000
Other	12,030,000	10,305,000
<b>Other current liabilities</b>	<b>\$ 12,511,000</b>	<b>\$ 11,188,000</b>

## **Note 5. Related Parties**

Pursuant to the JV Agreement, MAC is responsible for any landscaping, utilities, investigation, analyses, clean-up, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. MAC is also responsible for their allocable share of expenses related to master plan and government improvements at Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were \$16,000 and \$318,000 at March 31, 2006 and 2005, respectively. Reimbursable expenditures incurred were \$75,000 and \$89,000 for the three months ended March 31, 2006 and 2005, respectively.

Boyd Gaming Corporation reimburses us for expenses relating to investigative services for our casino license and other expenses. The related amounts incurred by us and due from Boyd Gaming Corporation for these types of expenses were \$40,000 and \$30,000 at March 31, 2006 and 2005, respectively. Reimbursable expenditures incurred were \$163,000 and \$30,000 for the three months ended March 31, 2006 and 2005, respectively.

In 2005, we entered into a series of ground lease agreements with MAC related to our expansion projects which increase our leased premises from a total of 15.5 acres to a total of 19.0 acres (see Note 9). These new ground lease agreements and the modified existing employee parking garage ground lease agreement provide the land on which our existing employee parking garage, the Public Space Expansion, the Rooms Expansion, and a modified surface parking lot will reside. The lease terms extend until December 31, 2070 with the exception of the surface parking lot lease (which can be terminated by either party upon 18 months written notice). The related amounts due to MAC for these types of expenditures were \$153,000 and \$569,000 at March 31, 2006 and 2005, respectively. Related rent incurred was \$1,304,000 and \$83,000 for the three months ended March 31, 2006 and 2005, respectively, portions of which were capitalized on the accompanying condensed consolidated balance sheets and portions of which were included in the accompanying condensed consolidated statements of operations.

Pursuant to the ground lease agreements, we are responsible for reimbursing MAC for related property taxes paid on our behalf. The related amounts due to MAC for these types of expenditures were \$0 at March 31, 2006 and 2005. Related property tax incurred was \$490,000 and \$0 for the three months ended March 31, 2006 and 2005, respectively, portions of which were capitalized on the accompanying condensed consolidated balance sheets and portions of which were included in the accompanying condensed consolidated statements of operations.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf primarily related to third party legal fees, investigative fees, and other. The related amounts due to BAC for these types of expenditures paid by BAC were \$328,000 and \$314,000 at March 31, 2006 and 2005, respectively. Reimbursable expenditures during the three months ended March 31, 2006 and 2005 were \$4,420,000 and \$1,217,000, respectively, portions of which were capitalized on the accompanying condensed consolidated balance sheets and portions of which were included in the accompanying condensed consolidated statements of operations.

The related party balances are non-interest bearing.

## **Note 6. Debt**

On February 15, 2006, the First Amendment was made to our First Amended and Restated Credit Agreement among MDFC, MDDC, Canadian Imperial Bank of Commerce and certain other financial institutions. The amended bank credit agreement modified our existing amended bank credit agreement

and consists of a \$750,000,000 revolving credit facility that matures on January 31, 2011. Availability under the revolving credit facility was used to repay the outstanding term loan balance in full.

At March 31, 2006, \$376,700,000 was outstanding under the revolving credit facility, leaving availability under the amended bank credit facility of \$373,300,000.

The interest rate on the revolving credit facility is based upon either (i) the agent bank's quoted base rate or (ii) the Eurodollar rate, plus an applicable margin that is determined by the level of a predefined financial leverage ratio. In addition, we incur a commitment fee on the unused portion of the revolving credit facility that ranges from 0.2% to 0.375% per annum. The amended bank credit agreement is secured by substantially all of our real and personal property and is non-recourse to MAC and BAC.

The amended bank credit agreement contains certain financial and other covenants, including, without limitation, various covenants (i) establishing a maximum permitted total leverage ratio, (ii) imposing limitations on the incurrence of additional secured indebtedness, (iii) imposing limitations on the maximum permitted expansion capital expenditures during the term of the amended bank credit agreement and (iv) imposing restrictions on investments, dividends and certain other payments.

Amounts outstanding under each component of our bank credit agreements are as follows:

	March 31,	
	2006	2005
Term loan	\$ -	\$ 199,500,000
Revolving line of credit	376,700,000	186,700,000
Total debt	376,700,000	386,200,000
Less current maturities	-	2,000,000
<b>Total long – term debt</b>	<b>\$ 376,700,000</b>	<b>\$ 384,200,000</b>

## Note 7. Income Taxes

Based on New Jersey state income tax rules, we are eligible for state tax credits, a significant portion of which are refundable under the New Jersey New Jobs Investment Tax Credit because we made a qualified investment in a new business facility that created new jobs. The total estimated available credits are approximately \$73,000,000 to \$81,000,000 over a five-year period, subject to annual conditions. We began receiving refunds related to this tax credit in early 2005. As such, we have approximately \$22,271,000 of New Jobs Tax Credits receivable as of March 31, 2006, comprised of New Jobs Tax Credits generated from the year ended December 31, 2005 and the three months ended March 31, 2006. We expect to generate New Jobs Tax Credits for the years ending December 31, 2006 and December 31, 2007, ranging from approximately \$14,000,000 to \$18,000,000 per year. For the three months ended March 31, 2006, we recorded a New Jobs Investment Credit of \$858,000. We also incurred state income tax expense of \$750,000 and adjusted net profits tax of \$951,000. The adjusted net profits tax was offset by an adjusted net profits tax credit of \$476,000 for the three months ended March 31, 2006. As a result, for the three months ended March 31, 2006, we recorded a net provision for income taxes of \$367,000, on the condensed consolidated statement of operations.

## **Note 8. Commitments and Contingencies**

### *Utility Contract*

In 2005, we amended our executory contracts with a wholly-owned subsidiary of a local utility company extending the end of the terms to 20 years from the opening of our Rooms Expansion. The utility company provides us with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately \$6,500,000 per annum. We also committed to purchase a certain portion of our electricity demand at essentially a fixed rate which is estimated at approximately \$4,800,000 per annum. Electricity demand in excess of the commitment is subject to market rates based on our tariff class.

### *Investment Alternative Tax*

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, we may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

We entered into a tri-party agreement with the CRDA and MAC committing up to \$14,000,000 of our CRDA deposit obligations to the proposed Venice Park Bulkhead Project (the "Bulkhead Project"). Under this agreement, MAC is solely responsible for funding any and all hard and soft costs and expenses of designing, permitting, engineering, developing, consulting, equipping, and opening the Bulkhead Project. As of July 2005, we have fully funded our \$14,000,000 of CRDA obligations, based upon 1.25% of gross gaming revenues. The CRDA will hold these funds in a segregated account and will reimburse MAC for their costs associated with the Bulkhead Project. As of March 31, 2006, \$348,000 has been reimbursed to MAC from these funds. In the event that the Bulkhead Project is not fully consummated, we would be required to make expenditures for housing projects in Atlantic City with the remaining funds. Our additional funds, based on 1.25% of gross gaming revenues, above the \$14,000,000 are now available for other qualifying investments under the New Jersey Statutes which control such investments. As of March 31, 2006, we have \$8,286,000 of funds available for other qualifying investments. A full valuation allowance has been provided for the Bulkhead Project as the Company could not determine that such amounts would have any net realizable value and a 33% valuation allowance has been provided for the other qualifying investments, most likely eventual investments in CRDA bonds, as CRDA bonds bear interest at below market rates. Accordingly, expense of \$730,000 and \$2,049,000, is included in selling, general and administrative expenses on the accompanying condensed consolidated statements of operations for the three months ended March 31, 2006 and 2005, respectively.

### *Grant and Donations Agreement*

In June 2004, Borgata and the eleven other casinos in the Atlantic City gaming market (collectively, the "Casinos") entered into a Grant and Donations Agreement (the "Agreement") with the New Jersey Sports & Exposition Authority (the "NJSEA") and the CRDA in the interest of deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks.

Under the terms of the Agreement, the Casinos shall pay to the NJSEA \$34,000,000 to be used for certain authorized purposes (the "Authorized Uses") as defined by the Agreement. The \$34,000,000 to be paid by the Casinos shall be payable over a four year period as follows: \$7,000,000 was paid October 15, 2004; \$8,000,000 was paid October 15, 2005; \$9,000,000 will be paid on or before October 15, 2006; and \$10,000,000 will be paid on or before October 15, 2007. In the event any of the \$34,000,000 is not used by NJSEA for the Authorized Uses by January 1, 2009, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino's share of the \$34,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ending June 30 prior to the October 15 payment date compared to the gross gaming revenues for that period for all Casinos. The Casinos, individually and collectively, shall be responsible for the payment of all amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall pay a pro rata share of the defaulted payment based upon their share of the gross gaming revenue for the period as compared to the gross gaming revenues for the period for all Casinos calculated without the gross gaming revenue of the defaulting casino. As a result, we will expense our pro rata share of the \$34,000,000, estimated to be approximately \$4,661,000 in total using our actual and forecasted market share of gross gaming revenue, on a straight line basis over the applicable term of the Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2005, our share of the \$8,000,000 paid on October 15, 2005 was approximately 13.9%, or \$1,112,000. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the \$7,000,000 paid on October 15, 2004 was approximately 12.0%, or \$840,000. We have recorded an estimated expense of \$259,000 and \$210,000 for the three months ended March 31, 2006 and 2005, respectively.

Also under the terms of the Agreement, the CRDA approved donations in the aggregate amount of \$62,000,000 from the Casino's North Jersey Obligations (pursuant to the New Jersey Casino Control Act) for certain uses as defined by the Agreement including casino projects approved pursuant to rules of the CRDA. The CRDA shall credit 100% of the donations received from each casino against that casino's obligation to purchase bonds. The donation shall provide that each casino's share of the \$62,000,000 will equate to a percentage representing its gross gaming revenue for the twelve months ended June 30, 2004 compared to the gross gaming revenues for that period for all Casinos. Each casino's respective annual donation shall be made first from uncommitted current and future funds in the North Jersey Project Fund established in accordance with the CRDA Urban Revitalization Act of that Casino and shall be credited as fulfilling said obligation on behalf of the particular casino making the payment. To the extent such North Jersey Project funds of that casino are not adequate to pay a Casino's share of the required donations, then that casino's other uncommitted current and future North Jersey Obligations shall be utilized. As a result, we will expense our pro rata share of the \$62,000,000 on a straight line basis over the applicable term of the Agreement; however, our Rooms Expansion project may qualify, pursuant to rules of the CRDA, for eligibility to receive future credits of approximately \$6,800,000 under this Agreement. Based upon the gross gaming revenues for all Casinos for the twelve months ended June 30, 2004, our share of the \$62,000,000 is approximately 12.0%, or \$7,400,000. We have recorded an estimated expense of \$411,000 and \$411,000 for the three months ended March 31, 2006 and 2005, respectively. Based on current gross gaming revenue projections, we expect it will take approximately 10 to 12 years to fully fund this obligation as the third quarter of 2006 is the first quarter we are subject to fund North Jersey Obligations.